

Introduced by Senators DeSaulnier and Fuller

September 7, 2011

Senate Joint Resolution No. 15—Relative to Harbor Maintenance Tax.

LEGISLATIVE COUNSEL'S DIGEST

SJR 15, as introduced, DeSaulnier. Harbor Maintenance Tax: Harbor Maintenance Trust Fund surplus.

This measure would urge the President and the Congress of the United States to significantly increase federal funding from the Harbor Maintenance Trust Fund surplus for navigational improvements and continued operational and maintenance dredging in those federal channels that serve California's ports such that these expenditures equal the amounts contributed by California to halt adding to the surplus in the Harbor Maintenance Trust Fund, and to recognize the role of California's ports in contributing the greatest share of the Harbor Maintenance Tax revenues. This measure would also memorialize the Legislature's support of efforts by California's congressional delegation to obtain an equitable share of all federal port and goods movement infrastructure funding and would encourage those representatives to support measures that will fund the security and facilitation of commercial activity at California's ports.

Fiscal committee: no.

- 1 WHEREAS, The State of California is committed to protecting
- 2 and preserving its ports, and those employed in and around the
- 3 ports; and
- 4 WHEREAS, California supports the safe and reliable
- 5 transportation of goods into and through the state; and

1 WHEREAS, California serves as an international commerce
2 gateway between the nation and most of its trade partners and,
3 according to the Kyser Center for Economic Research, over \$500
4 billion in goods annually are moved into or out of California via
5 all transportation modes; and

6 WHEREAS, California is the single largest trading entity in the
7 United States, and three of the five largest volume container ports
8 in the United States are located in California; and

9 WHEREAS, California's ports are responsible for \$8 billion of
10 the \$20 billion that the United States Customs and Border
11 Protection collects annually in fees and duties, and none of this
12 revenue is reinvested in the state's or country's system for moving
13 goods because customs fees are deposited in the United States
14 General Fund; and

15 WHEREAS, California's three largest ports facilitate some 40
16 percent of the nation's maritime trade by value, totaling
17 approximately \$375 billion annually; and

18 WHEREAS, California's ports, harbors, and businesses that
19 depend on federal channels and breakwaters contribute an estimated
20 \$40 billion per year to national economic output, 1.6 million jobs,
21 and \$21 billion in annual personal income to the United States
22 economy; and

23 WHEREAS, California has invested billions of dollars raised
24 by private and public sectors, including hundreds of millions of
25 dollars in cost sharing with the United States Army Corps of
26 Engineers to deepen navigation channels, into the development of
27 a world-class public port infrastructure that is dependent on the
28 proper maintenance of federal navigational channels and
29 breakwaters for which the Congress of the United States created
30 a special tax to fund all of the maintenance; and

31 WHEREAS, Prior to 1986, maintenance of federal channels
32 was all funded at federal expense; however, as a result of the 1986
33 Water Resources Development Act, users of federal navigation
34 channels now pay an ad valorem tax, the Harbor Maintenance Tax,
35 of 0.125 percent on imports and domestic waterborne shipments
36 between United States ports, and this revenue is placed in the
37 Harbor Maintenance Trust Fund to provide a source of nonfederal
38 revenue for funding all of the operations and maintenance dredging
39 necessary to keep navigational channels at proper depths and
40 dimensions; and

1 WHEREAS, The federal government has not fully utilized the
2 funds available in the Harbor Maintenance Trust Fund for needed
3 maintenance dredging, and, instead, it has allowed a large surplus
4 to build up in the trust fund in order to mask the federal deficit or
5 fund other programs unrelated to ports; and

6 WHEREAS, The United States Army Corps of Engineers reports
7 that at the nation's 59 busiest ports the full channel dimensions
8 are only available 35 percent of the time and that, based on
9 continued less-than-optimal funding, critical navigation channels
10 will only be dredged to 20 percent of full channel dimensions; and

11 WHEREAS, With annual revenue more than \$1.4 billion and
12 growing, while the annual need for maintenance dredging is in the
13 range of \$1.3 billion to \$1.6 billion, the amount of need is
14 comparable to the funds collected and would not produce a sizeable
15 surplus; however, over the past five years, because annual
16 expenditures for channel maintenance have averaged less than
17 \$800 million, users have been left with inadequately maintained
18 channels, and a surplus of more than \$5.6 billion exists in the
19 Harbor Maintenance Trust Fund; and

20 WHEREAS, The net results of the surplus and inadequately
21 maintained channels are increased costs for waterborne
22 transportation users, increased greenhouse gas emissions, higher
23 prices to consumers, and reduced competitiveness of United States
24 exports in the global marketplace, ultimately costing those states
25 that rely on trade the most for economic development, precious
26 jobs, and income; and

27 WHEREAS, The President of the United States, recognizing
28 that 95 percent of the world's customers live outside the United
29 States, has created a National Export Initiative to double the
30 country's total exports in five years, leading to the creation of 2
31 million new jobs; and

32 WHEREAS, The National Export Initiative will lead to increased
33 sales of California agricultural and manufactured products if these
34 products can be shipped in a reliable, timely, and cost-effective
35 manner; and

36 WHEREAS, The Congress of the United States must honor its
37 pledge to maintain the nation's ports and harbors with the revenue
38 provided by users, and the Harbor Maintenance Trust Fund should
39 be fully utilized for its intended purpose of maintaining federal
40 navigation channels and not for any additional uses; and

1 WHEREAS, Developing and maintaining federal navigation
2 channels is the most historically federal mission of all the missions
3 of the United States Army Corps of Engineers, such that, today,
4 maintaining our federal channels to their authorized and required
5 dimensions remains a critical part of maximizing the contributions
6 the United States Army Corps of Engineers and seaports make to
7 our national economy, the nation's economic security, and
8 competitiveness in world trade; and

9 WHEREAS, Although California's ports facilitate the cargo
10 value that generates over 30 percent of the Harbor Maintenance
11 Tax revenues, expenditures for California state projects made out
12 of the Harbor Maintenance Trust Fund from federal fiscal year
13 2005 to fiscal year 2008 averaged only 4 percent of the total
14 revenue collected; and

15 WHEREAS, Even though only the nation's top two container
16 seaports, in Los Angeles and Long Beach, are presently dredged
17 to their authorized dimensions, Los Angeles and Long Beach are
18 still likely to receive less than a penny in benefits out of the Harbor
19 Maintenance Trust Fund per dollar contributed by them to the fund
20 in Harbor Maintenance Tax revenues; and

21 WHEREAS, Despite the sizable contributions to the Harbor
22 Maintenance Trust Fund by port activities in the State of California
23 and the large surplus that remains in the fund, the need for
24 additional operations and maintenance dredging continues to persist
25 in harbors throughout California; and

26 WHEREAS, The present Congress of the United States has
27 introduced House Resolution 104 and Senate Resolution 412,
28 which have called for a solution to the surplus in the Harbor
29 Maintenance Trust Fund by ensuring that the annual revenue
30 collected would be fully used for maintaining the nation's ports
31 and harbors navigational channels at their authorized and required
32 depths and widths and by protecting harbor maintenance taxes
33 already collected for their intended purpose; now, therefore, be it

34 *Resolved by the Senate and the Assembly of the State of*
35 *California, jointly,* That the Legislature respectfully urges the
36 President and the Congress of the United States to significantly
37 increase federal funding from the Harbor Maintenance Trust Fund
38 surplus for navigational improvements and continued operational
39 and maintenance dredging in those federal channels that serve

1 California's ports such that these expenditures equal the amounts
2 contributed; and be it further

3 *Resolved*, That the Legislature urges the President and the
4 Congress of the United States to enact House Resolution 104 or
5 Senate Resolution 412 to end further contribution to the surplus
6 in the Harbor Maintenance Trust Fund and to recognize the unique
7 role played by California's ports in generating and contributing
8 the greatest share of the Harbor Maintenance Tax revenues; and
9 be it further

10 *Resolved*, That the Legislature supports the efforts by
11 California's congressional delegation to obtain an equitable share
12 of all federal ports and goods movement infrastructure funding
13 generally and further encourages those representatives to support
14 measures that will guarantee that California has the funds necessary
15 to secure and facilitate commercial activity at its many ports; and
16 be it further

17 *Resolved*, That the Secretary of the Senate transmit copies of
18 this resolution to the President and Vice President of the United
19 States, to the Speaker of the House of Representatives, to the
20 Majority Leader of the Senate, to each Senator and Representative
21 from California in the Congress of the United States, to the
22 Secretaries of the United States Department of Defense and of the
23 United States Department of Transportation, and to the author for
24 appropriate distribution.